AO 91 (Rev. 11/11) Criminal Complaint (approved by AUSA Christopher Parisi MEC CW#16-102

# UNITED STATES DISTRICT COURT

for the

Eastern District of Pennsylvania

United States of America
v.
Mathew Philip

Defendant(s)

Case No. 16-1514-M

## CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of September 8, 2015 in the county of Philadelphia in the Eastern District of Pennsylvania, the defendant(s) violated:

| *Code Section* | *Offense Description* |
|---|---|
| 18 USC 1343 | Wire Fraud |
| 7 USC 2024(b) | SNAP Fraud |

This criminal complaint is based on these facts:

See attached affidavit, which is incorporated by reference

☑ Continued on the attached sheet.

*Complainant's signature*

Gavin Ruddy, Special Agent USDA-OIG

*Printed name and title*

Sworn to before me and signed in my presence.

Date: 12/13/2016

*Judge's signature*

City and state: Philadelphia, PA

U.S.M.J.

*Printed name and title*

**AFFIDAVIT**

I, Gavin Ruddy, being duly sworn, depose and say:

**Introduction**

1. I am a Special Agent with the United States Department of Agriculture, Office of Inspector General (USDA-OIG), at King of Prussia, Pennsylvania and have been so employed since 2005. I served as a Special Agent with the U.S. Department of State, OIG, from 2002 to 2005. I have approximately 20 years of law enforcement experience at the Federal and local levels. As a USDA Special Agent, my responsibilities and experience include investigating violations within programs sponsored by the USDA, including unlawful food stamp trafficking.

2. I make this affidavit in support of an application for a criminal complaint and arrest warrant for MATHEW PHILIP, for violations of 7 U.S.C. § 2024(b), unlawful acquisition and use of food stamp benefits, and 18 U.S.C. §1343, wire fraud.

3. The statements contained herein are based, in part, on USDA records and information provided by other law enforcement personnel, including my co-case agent, Homeland Security Investigations Special Agent Scott Bishop, and individuals with knowledge of the alleged violations being investigated. Because this affidavit is being submitted for the limited purpose of securing an arrest warrant, I have not included each and every fact known to me concerning this investigation. I have set forth only the facts necessary to establish probable cause to believe that MATHEW PHILIP has committed violations of 7 U.S.C. § 2024(b) and 18 U.S.C. § 1343.

**SNAP Fraud**

4. The USDA administers the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Federal Food Stamp Program. Retail food stores that have been approved for participation in the SNAP may sell food in exchange for food stamp benefits. Food stamp benefits may not lawfully be exchanged for cash. 7 U.S.C. § 2024(b); 7 C.F.R. §§ 271.2, 278.2.

5. Every food stamp recipient receives an Electronic Benefits Transfer (EBT) card, similar to a debit card, with which to make purchases. Every retailer authorized to accept food stamp benefits has an EBT terminal. Affiliated Consumer Services (ACS), a division of Xerox, processes SNAP payments for the Commonwealth of Pennsylvania. ACS's corporate office is located in Norwalk, Connecticut. The processing includes the electronic debiting of a SNAP holder's account and the crediting of the SNAP merchant's bank account. A transfer of funds from a SNAP beneficiary's account to the bank account of a participating grocery store is by electronic transmission performed by ACS.

6. When purchasing food, the beneficiary provides the card to the retailer, who then swipes the EBT card through the EBT terminal. After the customer enters a secret Personal Identification Number (PIN), the EBT terminal verifies the PIN, determines whether the customer's

account balance is sufficient to cover the proposed transaction and informs the retailer whether the transaction should be authorized or denied. If the transaction is authorized, the amount of the purchase is then deducted electronically from the food stamp benefits reserved for the customer, and the amount is credited to the retailer's designated bank account.

**Wire Fraud**

7. Title 18, United States Code, Section 1343, makes it a crime to knowingly and willfully participate in a scheme or artifice to defraud and to use or cause to be used an interstate wire transmission in furtherance of the scheme to defraud.

**Background of Investigation**

8. Shop and Carry is a small food market and convenience store located at 1301 Lindley Avenue in Philadelphia, Pennsylvania. The store is approximately 2400 square feet with three cash registers. According to the initial application to USDA-FNS, Shop and Carry opened on or about November 30, 2006. The initial application, filed in December 2006, stated that Shop and Carry was a cooperative, and listed Shaji Varughese, Shajimon Mittanthony, Rajan Samuel and MATHEW PHILIP as Shop and Carry's owners.

9. In their application to USDA-FNS to become a SNAP-eligible food merchant, Shop and Carry's owners stated that they anticipated that Shop and Carry would earn receipts of approximately $1,500,000 annually, which would average approximately $125,000 a month.

10. In their application to USDA-FNS, Shop and Carry's owners also affirmed that they would "accept responsibility on behalf of the firm for violations of the Food Stamp Program regulations, including those of the firm's employees, both paid or unpaid, new, full-time or part-time." The application listed specific violations, including "trading cash for food stamp benefits."

11. On or about December 22, 2006, Shop and Carry was approved to participate in the SNAP program. A SNAP EBT terminal and other equipment issued to Shop and Carry was installed inside the store shortly thereafter.

12. USDA-FNS records indicate that Shop and Carry uses a bank account at Wells Fargo to receive and disburse SNAP funds. As described above, ACS/Xerox processes SNAP payments for the Commonwealth of Pennsylvania, including all payments made to Shop and Carry. These funds are periodically transmitted via wire transfer from ACS/Xerox in Austin, TX through the Federal Reserve Bank of Richmond in Richmond, VA to Shop and Carry's Wells Fargo account. Wells Fargo receives these funds in Philadelphia, PA.

13. In Shop and Carry's USDA-FNS application, MATHEW PHILIP is listed as "Associate Secretary" of the cooperative. I have reviewed PennDOT records, including MATHEW PHILIP's driver's license photographs, and I am familiar with his appearance.

14. I have reviewed PNC Bank records for various accounts held, in part, by MATHEW PHILIP. In addition to these records, I have reviewed surveillance footage captured by PNC Bank

which depicts MATHEW PHILIP conducting various financial transactions in PNC branches.

15. I also reviewed Wells Fargo bank records for Shop and Carry's operating account, ending in 7172. This is the account into which SNAP funds are deposited. According to bank records from May 2007, MATHEW PHILIP is listed as one of the signatories, along with Shaji Varughese, Shajimon Mittanthony, and Raju John. MATHEW PHILIP is listed as "President."

16. I am also familiar with MATHEW PHILIP's foreign travel, based on the investigation team's review of various government databases. In 2015, MATHEW PHILIP traveled to India in January, April, and July. Each trip lasted approximately two weeks. In 2016, PHILIP traveled to India in January and May. PHILIP also returned to the United States in July 2016 from another foreign trip, although we are unable to determine the destination. In addition to his foreign travel, based on our review of the bank records, we determined that MATHEW PHILIP deposited approximately $33,000 in the South Indian Bank.

**Undercover Purchase**

17. On September 8, 2015, at approximately 9:24am, an undercover USDA-OIG agent entered Shop and Carry and spoke with a man working behind the counter at the register. The man was middle-aged, with a mustache and glasses, wearing a baseball hat with a distinctive yellow pattern and a dark, checked shirt. The agent presented the man with identification and an EBT card. The man then asked "how much?" The agent asked for "one back," meaning one hundred dollars' cash. The man responded, "No, I get one, I give sixty back." The man then swiped the EBT card, processing a purchase for $100.32. The man then provided the agent with $60.00 in cash. This transaction was recorded on videotape and audiotape.

18. I reviewed the video and audio of this transaction, as well as PennDOT records and surveillance photos obtained from PNC Bank. Specifically, PNC Bank provided photographs of MATHEW PHILIP at a branch teller on June 10, 2015. In the photographs, PHILIP is wearing what appears to be the same hat and checked shirt that the man working behind the counter at Shop and Carry wore during the September 8, 2015 transaction described above in paragraph 17. In addition, having reviewed PennDOT photographs of MATHEW PHILIP, I believe that the man who provided the undercover special agent with cash in exchange for SNAP benefits on September 8, 2015 was MATHEW PHILIP.

**Conclusion**

19. Based on the facts set out above, I respectfully submit that there is probable cause to believe that MATHEW PHILIP has violated 7 U.S.C. § 2024(b) (SNAP Fraud) and 18 U.S.C. § 1343 (Wire Fraud). I respectfully request that this Court issue an arrest warrant charging MATHEW PHILIP with violations of 7 U.S.C. § 2024(b) and 18 U.S.C. § 1343.

GAVIN RUDDY
Special Agent
Office of Inspector General
U.S. Department of Agriculture

SWORN AND SUBSCRIBED
BEFORE ME this 13th
day of December, 2016

HONORABLE LINDA K. CARACAPPA
*UNITED STATES MAGISTRATE JUDGE*